

QUARTERLY REPORT

TRADING NAME OF LICENSEE: GNOC, Corp. (Atlantic City Hilton)

For The Quarter Ended December 31, 2003

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY

BALANCE SHEETS

AS OF DECEMBER 31, 2003 AND 2002
(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 2003 (c) | 2002 (d) |
|-------------|--|-------------|-------------|
| | ASSETS | | |
| | Current Assets: | | |
| 1 | Cash and cash equivalents..... | \$ 22,220 | \$ 19,509 |
| 2 | Short-term investments..... | - | - |
| 3 | Receivables and patrons' checks (net of allowance for doubtful accounts - 2003, \$ 5,041 ; 2002, \$ 7,827)...... NOTE 2..... | 8,844 | 8,800 |
| 4 | Inventories..... | 1,403 | 1,440 |
| 5 | Prepaid expenses and other current assets..... | 1,913 | 1,257 |
| 6 | Total current assets..... | 34,380 | 31,006 |
| 7 | Investments, Advances, and Receivables..... NOTE 3..... | 13,521 | 12,216 |
| 8 | Property And Equipment - Gross..... NOTE 4..... | 555,309 | 548,423 |
| 9 | Less: Accumulated Depreciation/Amortization..... NOTES 1 & 4..... | (266,942) | (250,758) |
| 10 | Property And Equipment - Net..... | 288,367 | 297,665 |
| 11 | Other Assets..... NOTES 1 & 5..... | 77,001 | 77,001 |
| 12 | Total Assets..... | \$ 413,269 | \$ 417,888 |
| | LIABILITIES AND EQUITY | | |
| | Current Liabilities: | | |
| 13 | Accounts payable..... | \$ 4,219 | \$ 4,941 |
| 14 | Notes payable..... | - | - |
| | Current portion of long-term debt..... | | |
| 15 | Due to affiliates..... | - | - |
| 16 | Other..... | - | - |
| 17 | Income taxes payable and accrued..... | - | - |
| 18 | Other accrued expenses..... NOTE 6..... | 22,650 | 19,652 |
| 19 | Other current liabilities..... NOTE 7..... | 14,092 | 9,357 |
| 20 | Total current liabilities..... | 40,961 | 33,950 |
| | Long-Term Debt: | | |
| 21 | Due to affiliates..... NOTE 8..... | 200,000 | 200,000 |
| 22 | Other..... | - | - |
| 23 | Deferred Credits..... | - | - |
| 24 | Other Liabilities..... NOTE 9..... | 102,104 | 122,822 |
| 25 | Commitments And Contingencies..... NOTE 1..... | - | - |
| 26 | Total Liabilities..... | 343,065 | 356,772 |
| 27 | Stockholders', Partners', or Proprietor's Equity..... NOTE 10..... | 70,204 | 61,116 |
| 28 | Total Liabilities And Equity..... | \$ 413,269 | \$ 417,888 |

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003 AND 2002

(UNAUDITED)

(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 2003 (c) | 2002 (d) |
|-------------|---|-------------|-------------|
| | Revenues: | | |
| 1 | Casino. | \$ 304,021 | \$ 301,455 |
| 2 | Rooms. | 24,641 | 25,972 |
| 3 | Food and beverage. | 40,466 | 42,334 |
| 4 | Other. | 12,544 | 10,619 |
| 5 | Total Revenues. | 381,672 | 380,380 |
| 6 | Less: Promotional allowances. | 85,919 | 88,568 |
| 7 | Net Revenues. | 295,753 | 291,812 |
| | Costs And Expenses: | | |
| 8 | Cost of goods and services. | 191,209 | 182,566 |
| 9 | Selling, general, and administrative. | 42,051 | 41,610 |
| 10 | Provision for doubtful accounts. | (1,204) | 2,569 |
| 11 | Total Costs and Expenses. | 232,056 | 226,745 |
| 12 | Gross Operating Profit. | 63,697 | 65,067 |
| 13 | Depreciation and Amortization. | 17,862 | 20,885 |
| | Charges from affiliates other than interest: | | |
| 14 | Management fees. NOTE 11. | 9,988 | 9,961 |
| 15 | Other. | - | - |
| 16 | Income (Loss) From Operations. | 35,847 | 34,221 |
| | Other Income (Expenses): | | |
| 17 | Interest (expense)-affiliates. NOTE 8. | (18,075) | (17,852) |
| 18 | Interest (expense)-external. | - | - |
| 19 | Investment alternative tax and related income (expense) - net. | (2,087) | (1,932) |
| 20 | Nonoperating income (expense) - net. NOTE 12. | 354 | 388 |
| 21 | Total Other Income (Expenses). | (19,808) | (19,396) |
| 22 | Income (Loss) Before Income Taxes And Extraordinary Items. | 16,039 | 14,825 |
| 23 | Provision (credit) for income taxes. NOTE 1. | 6,951 | 6,055 |
| 24 | Income (Loss) Before Extraordinary Items. | 9,088 | 8,770 |
| 25 | Extraordinary items (net of income taxes - 20__, \$) | - | - |
| 26 | Net Income (Loss). | \$ 9,088 | \$ 8,770 |

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: GNOC, Corp. (Atlantic City Hilton)

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2003 AND 2002

(UNAUDITED)

(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 2003 (c) | 2002 (d) |
|-------------|---|-------------|-------------|
| | Revenues: | | |
| 1 | Casino. | \$ 69,215 | \$ 67,255 |
| 2 | Rooms. | 5,808 | 6,174 |
| 3 | Food and beverage. | 9,360 | 10,260 |
| 4 | Other. | 3,770 | 2,511 |
| 5 | Total Revenues. | 88,153 | 86,200 |
| 6 | Less: Promotional allowances. | 20,248 | 19,340 |
| 7 | Net Revenues. | 67,905 | 66,860 |
| | Costs And Expenses: | | |
| 8 | Cost of goods and services. | 46,820 | 44,175 |
| 9 | Selling, general, and administrative. | 12,706 | 10,582 |
| 10 | Provision for doubtful accounts. | (1,988) | 1,166 |
| 11 | Total Costs and Expenses. | 57,538 | 55,923 |
| 12 | Gross Operating Profit. | 10,367 | 10,937 |
| 13 | Depreciation and Amortization. | 4,230 | 4,921 |
| | Charges from affiliates other than interest: | | |
| 14 | Management fees. NOTE 11. | 2,292 | 2,230 |
| 15 | Other. | - | - |
| 16 | Income (Loss) From Operations. | 3,845 | 3,786 |
| | Other Income (Expenses): | | |
| 17 | Interest (expense)-affiliates. NOTE 8. | (4,575) | (4,461) |
| 18 | Interest (expense)-external. | - | - |
| 19 | Investment alternative tax and related income (expense) - net. | (482) | (249) |
| 20 | Nonoperating income (expense) - net. NOTE 12. | 118 | 86 |
| 21 | Total Other Income (Expenses). | (4,939) | (4,624) |
| 22 | Income (Loss) Before Income Taxes And Extraordinary Items. | (1,094) | (838) |
| 23 | Provision (credit) for income taxes. NOTE 1. | (339) | (2,065) |
| 24 | Income (Loss) Before Extraordinary Items. | (755) | 1,227 |
| 25 | Extraordinary items (net of income taxes - 20 __, \$) | - | - |
| 26 | Net Income (Loss). | \$ (755) | \$ 1,227 |

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002 AND DECEMBER 31, 2003

(UNAUDITED)
(\$ IN THOUSANDS)

| Line (a) | Description (b) | Common Stock | | Preferred Stock | | Additional Paid-In Capital (g) | | Retained Earnings (Accumulated) (Deficit) (i) | Total Shareholder's Equity (Deficit) (j) |
|-------------|--------------------------------------|---------------|---------------|-----------------|---------------|---|----|---|--|
| | | Shares (c) | Amount (d) | Shares (e) | Amount (f) | | | | |
| 1 | Balance, December 31, 2001..... | 3,002,510 | \$ 30 | | \$ | \$ 123,421 | \$ | \$ (71,105) | \$ 52,346 |
| 2 | Net Income (Loss) - 2002..... | | | | | | | 8,770 | 8,770 |
| 3 | Contribution to Paid-in Capital..... | | | | | | | | |
| 4 | Dividends..... | | | | | | | | |
| 5 | Prior Period Adjustments..... | | | | | | | | |
| 6 | | | | | | | | | |
| 7 | | | | | | | | | |
| 8 | | | | | | | | | |
| 9 | | | | | | | | | |
| 10 | Balance, December 31, 2002..... | 3,002,510 | \$ 30 | | \$ | \$ 123,421 | \$ | \$ (62,335) | \$ 61,116 |
| 11 | Net Income (Loss) - 2003..... | | | | | | | 9,088 | 9,088 |
| 12 | Contribution to Paid-in Capital..... | | | | | | | | |
| 13 | Dividends..... | | | | | | | | |
| 14 | Prior Period Adjustments..... | | | | | | | | |
| 15 | | | | | | | | | |
| 16 | | | | | | | | | |
| 17 | | | | | | | | | |
| 18 | | | | | | | | | |
| 19 | Balance, December 31, 2003..... | 3,002,510 | \$ 30 | | \$ | \$ 123,421 | \$ | \$ (53,247) | \$ 70,204 |

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003 AND 2002

(UNAUDITED)

(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 2003 (c) | 2002 (d) |
|-------------|--|-------------|-------------|
| 1 | Net Cash Provided (Used) By Operating Activities. | \$ 34,954 | \$ 37,225 |
| | Cash Flows From Investing Activities: | | |
| 2 | Purchase of short-term investment securities. | - | - |
| 3 | Proceeds from the sale of short-term investment securities. | - | - |
| 4 | Cash outflows for property and equipment. | (8,564) | (13,562) |
| 5 | Proceeds from disposition of property and equipment. | 49 | 96 |
| 6 | Purchase of casino reinvestment obligations. | (3,475) | (3,536) |
| 7 | Purchase of other investments and loans/advances made. | - | (34) |
| 8 | Proceeds from disposal of investment and collection of advances and long-term receivables. | 83 | - |
| 9 | Cash outflows to acquire business entities. | - | - |
| 10 | Increase in construction - related liabilities. | - | - |
| 11 | | - | - |
| 12 | Net Cash Provided (Used) By Investing Activities. | (11,907) | (17,036) |
| | Cash Flows From Financing Activities: | | |
| 13 | Cash proceeds from issuance of short-term debt. | - | - |
| 14 | Payments to settle short-term debt. | - | - |
| 15 | Cash proceeds from issuance of long-term debt. | - | - |
| 16 | Costs of issuing debt. | - | - |
| 17 | Payments to settle long-term debt. | - | - |
| 18 | Cash proceeds from issuing stock or capital contribution. | - | - |
| 19 | Purchases of treasury stock. | - | - |
| 20 | Payments of dividends or capital withdrawals. | - | - |
| 21 | Change in payable to affiliate. | (20,336) | (22,913) |
| 22 | Debt retirement costs. | - | - |
| 23 | Net Cash Provided (Used) By Financing Activities. | (20,336) | (22,913) |
| 24 | Net Increase (Decrease) In Cash And Cash Equivalents. | 2,711 | (2,724) |
| 25 | Cash And Cash Equivalents At Beginning Of Year. | 19,509 | 22,233 |
| 26 | Cash And Cash Equivalents At End Of Year. | \$ 22,220 | \$ 19,509 |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| | | | |
|----|--|-----------|-----------|
| | Cash Paid During Year For: | | |
| 27 | Interest (net of amount capitalized). | \$ 18,075 | \$ 17,852 |
| 28 | Income taxes paid (refunded) - net. | \$ 6,951 | \$ 6,055 |

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003 AND 2002

(UNAUDITED)

(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 2003 (c) | 2002 (d) |
|-------------|--|-------------|-------------|
| | Net Cash Flows From Operating Activities: | | |
| 29 | Net income (loss) | \$ 9,088 | \$ 8,770 |
| | Noncash items included in income and cash items excluded from income: | | |
| 30 | Depreciation and amortization of property and equipment. | 17,862 | 20,885 |
| 31 | Amortization of other assets. | - | - |
| 32 | Amortization of debt discount or premium. | - | - |
| 33 | Deferred income taxes - current. | - | - |
| 34 | Deferred income taxes - noncurrent. | - | - |
| 35 | (Gain) loss on disposition of property and equipment. | (49) | (49) |
| 36 | (Gain) loss on casino reinvestment obligations. | 2,087 | 1,932 |
| 37 | (Gain) loss from other investment activities. | - | - |
| 38 | Net (increase) decrease in receivables and patrons' checks. | (44) | 1,710 |
| 39 | Net (increase) decrease in inventories. | 37 | 376 |
| 40 | Net (increase) decrease in other current assets. | (656) | 137 |
| 41 | Net (increase) decrease in other assets. | - | - |
| 42 | Net increase (decrease) in accounts payables. | (722) | 1,759 |
| 43 | Net increase (decrease) in other current liabilities excluding debt. | 7,733 | 1,915 |
| 44 | Net increase (decrease) in other noncurrent liabilities excluding debt. | (382) | (210) |
| 45 | Loss on extinguishment of debt, net of tax benefit of \$. | - | - |
| 46 | Amortization of CRDA assets | - | - |
| 47 | Net Cash Provided (Used) By Operating Activities. | \$ 34,954 | \$ 37,225 |

SUPPLEMENTAL SCHEDULE OF INVESTING AND FINANCING ACTIVITIES

| | | | |
|----|---|----------|-----------|
| | Acquisition Of Property And Equipment: | | |
| 48 | Additions to property and equipment. | \$ 8,564 | \$ 13,562 |
| 49 | Less: Capital lease obligations incurred. | - | - |
| 50 | Cash Outflows For Property And Equipment. | \$ 8,564 | \$ 13,562 |
| | Acquisition Of Business Entities: | | |
| 51 | Property and equipment acquired. | \$ - | \$ - |
| 52 | Goodwill acquired. | - | - |
| 53 | Net assets acquired other than cash, goodwill, and property and equipment. | - | - |
| 54 | Long-term debt assumed. | - | - |
| 55 | Issuance of stock or capital invested. | - | - |
| 56 | Cash Outflows To Acquire Business Entities. | \$ - | \$ - |
| | Stock Issued Or Capital Contributions: | | |
| 57 | Total issuances of stock or capital contributions. | \$ - | \$ - |
| 58 | Less: Issuances to settle long-term debt. | - | - |
| 59 | Consideration in acquisition of business entities. | - | - |
| 60 | Cash Proceeds From Issuing Stock Or Capital Contributions. | \$ - | \$ - |

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003

| Line (a) | (b) | Promotional Allowances | | Promotional Expenses | |
|-------------|----------------------------|--------------------------------|-------------------------|--------------------------------|-------------------------|
| | | Number of Recipients (c) | Dollar Amount (d) | Number of Recipients (e) | Dollar Amount (f) |
| 1 | Rooms | 368,223 | \$ 15,335 | | \$ |
| 2 | Food | 1,526,144 | 20,330 | | |
| 3 | Beverage | 3,015,125 | 7,839 | | |
| 4 | Travel | | | 59,489 | 1,944 |
| 5 | Bus Program Cash | 667,051 | 11,114 | | |
| 6 | Other Cash Complimentaries | 976,994 | 25,920 | | |
| 7 | Entertainment | 92,061 | 2,334 | 6,162 | 770 |
| 8 | Retail & Non-Cash Gifts | 22,550 | 2,688 | 8,400 | 4,943 |
| 9 | Parking | | | | |
| 10 | Other * | 13,880 | 359 | 239,117 | 1,776 |
| 11 | Total | 6,682,028 | \$ 85,919 | 313,168 | \$ 9,433 |

FOR THE THREE MONTHS ENDED DECEMBER 31, 2003

| Line (a) | (b) | Promotional Allowances | | Promotional Expenses | |
|-------------|----------------------------|--------------------------------|-------------------------|--------------------------------|-------------------------|
| | | Number of Recipients (c) | Dollar Amount (d) | Number of Recipients (e) | Dollar Amount (f) |
| 1 | Rooms | 89,769 | \$ 3,532 | | \$ |
| 2 | Food | 366,077 | 4,740 | | |
| 3 | Beverage | 703,116 | 1,828 | | |
| 4 | Travel | | | 14,886 | 496 |
| 5 | Bus Program Cash | 156,489 | 2,560 | | |
| 6 | Other Cash Complimentaries | 237,861 | 5,598 | | |
| 7 | Entertainment | 45,073 | 922 | 2,562 | 320 |
| 8 | Retail & Non-Cash Gifts | 10,959 | 989 | 1,118 | 1,486 |
| 9 | Parking | | | | |
| 10 | Other * | 3,016 | 79 | 64,900 | 451 |
| 11 | Total | 1,612,360 | \$ 20,248 | 83,466 | \$ 2,753 |

* No item in this category exceeds 5%.

GNOC, Corp. (Atlantic City Hilton)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and basis of presentation

The accompanying financial statements include the accounts of GNOC, Corp., a New Jersey corporation (the "Company"). The Company is a wholly owned subsidiary of Bally's Park Place, Inc., which owns and operates the casino hotel resort in Atlantic City, New Jersey known as Bally's Atlantic City ("Bally's Atlantic City"), which is a wholly owned subsidiary of Caesars Entertainment, Inc. ("CEI"). In early January 2004, CEI changed its name from Park Place Entertainment to Caesars Entertainment. The Company owns and operates the casino hotel resort in Atlantic City, New Jersey known as the "Atlantic City Hilton." The Company operates in one industry segment and all significant revenues arise from its casino and supporting hotel operations.

All adjustments to these financial statements have been recorded and are, in the opinion of management, necessary for a fair presentation of the balance sheets for the Company at December 31, 2003 and 2002, and its statements of income for the three and twelve months ended December 31, 2003 and 2002 and its statements of cash flows for the twelve months ended December 31, 2003 and 2002. All such adjustments were of a normal recurring nature.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenue and expenses reported during the period. Actual results could differ from such estimates.

Revenue recognition and promotional allowances

Casino revenues represent the net revenue from gaming wins and losses. The revenues from hotel, food and beverage, and from theater ticket sales are recognized at the time the related services are performed. The statement of income reflects operating revenues including the retail value of complimentary services (also known as promotional allowances), which are deducted on a separate line to arrive at net revenues. Promotional allowances are provided to casino patrons without charge.

In the first quarter of 2001, the Emerging Issues Task Forces ("EITF") reached a consensus on certain issues in EITF 00-22 "Accounting for 'Points' and Certain Other Time-Based Sales Incentive Offers, and Offers for Free Products or Services to Be Delivered in the Future." EITF 00-22 requires that cash rebates or refunds as part of a customer loyalty program be shown as a reduction of revenues.

GNOC, Corp. (Atlantic City Hilton)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

EITF 00-14 "Accounting for Certain Sales Incentives," which is effective January 1, 2002, focuses on the accounting for, and presentation of, discounts, coupons and rebates. EITF 00-14 requires that cash or equivalent amounts provided or returned to customers as part of a transaction should not be shown as an expense but should be an offset to the related revenue. The Company offers cash inducements and match-play coupons to customers to encourage visitation and play at the casino.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the weighted average cost method.

Property and equipment

Property and equipment are stated at cost. Depreciation is provided on the straight-line basis over the estimated economic lives of the related assets. Depreciation expense was \$4,230 and \$4,921 for the three months ended December 31, 2003 and 2002, respectively; and \$17,862 and \$20,885 for the twelve months ended December 31, 2003 and 2002, respectively.

| <u>Asset class</u> | <u>Life</u> |
|-----------------------------------|-------------|
| Buildings | 40 years |
| Building improvements | 3-10 years |
| Furniture, Fixtures and Equipment | 3-10 years |

Costs in excess of acquired assets

In 1987, Bally Entertainment Corporation (formerly the parent of the Company) acquired the Company, other related properties and real estate leases in a transaction which was accounted for as a purchase.

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). Under SFAS 142, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed at least annually for impairment. Separate intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives (but with no maximum life). Pursuant to SFAS 142, goodwill amortization ceased on January 1, 2002. Prior to the adoption of SFAS 142, the excess of the total acquisition cost and debt assumed over the fair value of net assets acquired (goodwill) had been amortized on the straight-line method over forty years.

GNOC, Corp. (Atlantic City Hilton)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

Long-lived assets

In August 2001, the FASB issued Statement of Financial Accounting Standard No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 supercedes existing accounting literature dealing with impairment and disposal of long-lived assets, including discontinued operations. It addresses financial accounting and reporting for the impairment of long-lived assets, and for long-lived assets to be disposed of, and expands current reporting for discontinued operations to include disposals of a "component" of an entity that has been disposed of or is classified as held for sale. The Company was required to adopt SFAS 144 effective January 2002. Implementation of this standard did not have a material impact on the Company's financial statements.

Connection Card Program

During the 2nd quarter of 2003, the Company, along with its CEI Atlantic City affiliates, implemented the Connection Card Program. The Connection Card Program allows players to earn credits that may be accumulated over time and redeemed at their discretion in accordance with the rules of the program at any CEI casino in the United States. The Company records an estimated liability for the incremental cost of providing goods and services under the program at the time the credits are earned.

Fair values of financial instruments

The fair values of the Company's financial instruments including receivables, payables and debt, approximate their recorded book values at December 31, 2003 and 2002.

Accounting Pronouncements

In November 2002, the FASB issued Interpretation No. ("FIN") 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of the Indebtedness of Others." FIN No. 45 elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of this Interpretation apply to guarantees issued or modified after December 31, 2002. Implementation of this Interpretation did not have a material impact on the Company's financial statements.

On January 17, 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities." FIN No. 46 addresses consolidation of entities that are not controllable through voting interest or in which the equity investors do not bear the residual economic risks and rewards. These

GNOC, Corp. (Atlantic City Hilton)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

entities have commonly been referred to as special purpose entities. The Interpretation provides guidance related to identifying variable interest entities and determining whether such entities should be consolidated. It also provides guidance related to the interest in newly consolidated variable interest entities and requires disclosures for both the primary beneficiary of a variable interest entity and other beneficiaries of the entity. Implementation of this Interpretation did not have a material impact on the Company's financial statements.

Income taxes

Taxable income or loss of the Company is included in the consolidated Federal income tax return of CEI. The Company provides for income taxes by applying the respective state and federal statutory rates to pre-tax financial statement income. The corresponding liability or receivable is credited or charged to its corporate parent. Deferred income taxes and liabilities for temporary differences between the carrying amounts for financial reporting and income tax purposes, if any, are accounted for by CEI in accordance with the tax sharing agreement between CEI and the Company.

Recent tax legislation

The New Jersey State Legislature passed a bill to increase taxes on the New Jersey casino industry, beginning in the State's fiscal year 2004 (starting July 1, 2003). Included in this legislation is a tax on net profits, taxes on certain complimentarys, and increases in parking, rooms and other fees. Profits tax expense is reflected in the provision for income taxes. Other taxes are reflected in selling, general and administrative expenses.

Casino Reinvestment Development Authority

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company has satisfied this investment obligation by (i) investing in qualified eligible direct investments, (ii) making qualified contributions or (iii) depositing funds with the Casino Reinvestment Development Authority ("CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have varying terms of up to fifty years and bear interest at below market rates. The Company records a charge to reflect the estimated realizable value of its CRDA investments.

GNOC, Corp. (Atlantic City Hilton)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

Allocations and transactions with related parties

The Company transfers cash in excess of its operating needs to CEI on a daily basis. CEI provides the Company with cash advances for capital expenditures and working capital needs.

Certain executive, administrative and support operations of the Company and other CEI affiliates are consolidated, including limousine services, advertising, sales and marketing services, purchasing and other administrative departments. Costs of these operations are allocated to or from the Company either directly or using various formulas based on estimates of utilization of such services. Management believes the methods used to allocate these costs are reasonable. In addition, the Company leases land from Bally's Atlantic City.

Advertising and Marketing Fee

Hilton Hotels Corporation charges the Company for certain hotel reservation services, and advertising and marketing support in accordance with the fees established for participation in the Hilton Honors Program, as well as a national and regional group advertising and sales promotions service fee equal to 1% of net room revenues.

NOTE 2 – RECEIVABLES AND PATRONS' CHECKS

Receivables and patrons' checks as of December 31 consist of the following:

| | <u>2003</u> | <u>2002</u> |
|--|-----------------|-----------------|
| Casino receivables (net of allowance for doubtful accounts – 2003, \$4,788; 2002, \$7,616) | \$ 6,381 | \$ 5,778 |
| Other (net of allowance for doubtful accounts – 2003, \$253; 2002, \$211) | 1,844 | 2,563 |
| Due from affiliates | <u>619</u> | <u>459</u> |
| | <u>\$ 8,844</u> | <u>\$ 8,800</u> |

GNOC, Corp. (Atlantic City Hilton)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 3 - INVESTMENTS, ADVANCES AND RECEIVABLES

Investments, advances and receivables consist of funds invested with the CRDA, net of related valuation reserves of \$7,480 and \$6,811 at December 31, 2003 and 2002, respectively.

The Company, Bally's Atlantic City and the CRDA entered into a credit exchange agreement and an investment agreement in 1998. The credit exchange agreement permits the exchange of certain current and future CRDA obligations between the Company and Bally's Atlantic City, resulting in a long-term payable to Bally's Atlantic City (See Note 9). The investment agreement provides an investment plan for the use of certain current and future CRDA funds. These agreements have accelerated the funding of credits due the Company under the aforementioned credit agreement.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment as of December 31 consist of the following:

| | <u>2003</u> | <u>2002</u> |
|--|-------------------|-------------------|
| Land | \$ 66,655 | \$ 66,655 |
| Buildings and improvements | 317,124 | 314,357 |
| Furniture, fixtures and equipment | 168,738 | 163,676 |
| Construction in progress | <u>2,792</u> | <u>3,735</u> |
| | 555,309 | 548,423 |
| Less accumulated depreciation and amortization | <u>(266,942)</u> | <u>(250,758)</u> |
| | <u>\$ 288,367</u> | <u>\$ 297,665</u> |

NOTE 5 - OTHER ASSETS

Other assets as of December 31 consist of the following:

| | <u>2003</u> | <u>2002</u> |
|---|------------------|------------------|
| Cost in excess of acquired assets, less accumulated amortization of \$44,637 | \$ 76,839 | \$ 76,839 |
| Other | <u>162</u> | <u>162</u> |
| | <u>\$ 77,001</u> | <u>\$ 77,001</u> |

GNOG, Corp. (Atlantic City Hilton)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 6 - OTHER ACCRUED EXPENSES

Other accrued expenses as of December 31 consist of the following:

| | <u>2003</u> | <u>2002</u> |
|------------------------------|-----------------|-----------------|
| Accrued payroll and benefits | \$14,779 | \$10,008 |
| Insurance claims | 2,668 | 5,420 |
| Other | <u>5,203</u> | <u>4,224</u> |
| | <u>\$22,650</u> | <u>\$19,652</u> |

NOTE 7 - OTHER CURRENT LIABILITIES

Other current liabilities as of December 31 consist of the following:

| | <u>2003</u> | <u>2002</u> |
|--|-----------------|-----------------|
| Due to Bally's Atlantic City | \$ 3,001 | \$ 2,258 |
| Due to Caesars World Merchandising, Inc. | 5,544 | 3,473 |
| Due to affiliates-other | 1,095 | 1,089 |
| Unredeemed slot promotions liability | 1,007 | 825 |
| Unredeemed chip and token liability | 922 | 1,175 |
| Comp bank liability | 1,950 | - |
| Other | <u>573</u> | <u>537</u> |
| | <u>\$14,092</u> | <u>\$ 9,357</u> |

NOTE 8 - LONG-TERM DEBT - DUE TO AFFILIATES

Long-term debt - due to affiliates as of December 31 consist of the following:

| | <u>2003</u> | <u>2002</u> |
|--|------------------|------------------|
| 9% Note payable to Caesars Entertainment Finance Corporation due January 1, 2009 | <u>\$200,000</u> | <u>\$200,000</u> |

In January 1999, the Company declared a \$200,000 distribution payable in the form of a note payable to Bally's Atlantic City. Bally's Atlantic City then immediately assigned the \$200,000 note payable to CEI. On July 1, 2000, CEI assigned the \$200,000 note payable to Park Place Finance Corporation. On March 9, 2004, Park Place Finance Corporation changed its name to Caesars Entertainment Finance Corporation. The note payable bears interest at a rate of 9% per annum, payable on the last business day of each quarter.

GNOC, Corp. (Atlantic City Hilton)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 9 - OTHER LIABILITIES

Other liabilities as of December 31 consist of the following:

| | <u>2003</u> | <u>2002</u> |
|---|------------------|------------------|
| Due to CEI | \$101,900 | \$122,236 |
| Due to Bally's Atlantic City (See Note 3) | <u>204</u> | <u>586</u> |
| | <u>\$102,104</u> | <u>\$122,822</u> |

Due to CEI consists of an unsecured, non-interest bearing intercompany account.

NOTE 10 - STOCKHOLDER'S EQUITY

At December 31, 2003 and 2002, the Company had 5,000,000 shares of common stock authorized; of such shares 3,002,510 were issued and outstanding.

NOTE 11 - CHARGES FROM AFFILIATES - MANAGEMENT FEE

The Company and CEI have entered into an administrative services and management agreement. Under the agreement, CEI provides certain services to the Company in the conduct of its business including, but not limited to operations, marketing, banking, accounting, insurance, tax, regulatory and public company reporting, human resource and benefit administration and other administrative functions. In consideration for these services, the Company pays CEI a monthly management fee equal to three percent of revenues, as defined.

GNOG, Corp. (Atlantic City Hilton)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 12 - NONOPERATING INCOME (EXPENSE) - NET

Nonoperating income (expense) for the three months ended December 31 consists of the following:

| | <u>2003</u> | <u>2002</u> |
|-------------------------------|---------------|--------------|
| Interest income | \$ 79 | \$ 97 |
| Gain on disposal of equipment | <u>39</u> | <u>(11)</u> |
| | <u>\$ 118</u> | <u>\$ 86</u> |

Nonoperating income (expense) for the twelve months ended December 31 consists of the following:

| | <u>2003</u> | <u>2002</u> |
|-------------------------------|---------------|---------------|
| Interest income | \$ 305 | \$ 339 |
| Gain on disposal of equipment | <u>49</u> | <u>49</u> |
| | <u>\$ 354</u> | <u>\$ 388</u> |

STATEMENT OF CONFORMITY, ACCURACY AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.



Signature

Assistant Vice President/Controller
Title

006243-11
License Number

On Behalf of:

GNOC, Corp. (Atlantic City Hilton)
Casino License

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

TRADING NAME OF LICENSEE: GNOC, Corp. (Atlantic City Hilton)

For The Year Ended December 31, 2003

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY

TRADING NAME OF LICENSEE: GNOC, Corp. (Atlantic City Hilton)

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003

(UNAUDITED)
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES

| LINE (a) | DESCRIPTION (b) | ACCOUNT BALANCE (c) | ALLOWANCE (d) | ACCOUNTS RECEIVABLE- (e) NET OF ALLOWANCE |
|-------------|---|------------------------|------------------|--|
| | Patrons' Checks: | | | |
| 1 | Undeposited patrons' checks | \$ 4,245 | | |
| 2 | Returned patrons' checks | 6,924 | | |
| 3 | Total patrons' checks | 11,169 | \$ 4,788 | \$ 6,381 |
| 4 | Hotel Receivables | 1,023 | 253 | 770 |
| | Other Receivables: | | | |
| 5 | Receivables due from officers and employees | --- | | |
| 6 | Receivables due from affiliates | 619 | | |
| 7 | Other accounts and notes receivables | 1,074 | | |
| 8 | Total other receivables | 1,693 | --- | 1,693 |
| 9 | Totals (Form CCC 205) | \$ 13,885 | \$ 5,041 | \$ 8,844 |

UNDEPOSITED PATRONS' CHECKS ACTIVITY

| LINE (f) | DESCRIPTION (g) | AMOUNT (h) |
|-------------|--|---------------|
| 10 | Beginning Balance (January 1) | \$ 5,499 |
| 11 | Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits) | 151,467 |
| 12 | Checks redeemed prior to deposit (excluding the unredeemed portion of counter checks redeemed through partial redemptions, and excluding checks redeemed through transactions relating to consolidations, substitutions, and patrons' cash deposits) | (99,229) |
| 13 | Checks collected through deposits | (46,512) |
| 14 | Checks transferred to returned checks | (6,980) |
| 15 | Other adjustments | --- |
| 16 | Ending Balance | \$ 4,245 |
| 17 | "Hold" Checks Included In Balance On Line 16 | \$ 0 |
| 18 | Provision For Uncollectible Patrons' Checks | \$ (1,264) |
| 19 | Provision As A Percent Of Counter Checks Issued | -0.8% |

Under penalties of perjury, I declare that I have examined this report, and to the best of my knowledge and belief, it is true and complete.

March 31, 2004

Date



Signature

Assistant Vice President/Controller

Title of Officer

ANNUAL EMPLOYMENT AND PAYROLL REPORT

TRADING NAME OF LICENSEE: GNOC, Corp. (Atlantic City Hilton)

For The Year Ended December 31, 2003

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY

ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2003

(\$ in thousands)

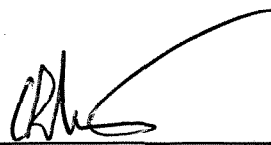
| LINE (a) | DEPARTMENT (b) | NUMBER OF (c) EMPLOYEES | SALARIES AND WAGES | | |
|-------------|---|----------------------------|---------------------|-----------------------|------------|
| | | | (d) OTHER EMPLOYEES | (e) OFFICERS & OWNERS | (f) TOTALS |
| | CASINO | | | | |
| 1 | Administration | 15 | | | |
| 2 | Gaming | 804 | | | |
| 3 | Slots | 152 | | | |
| 4 | Casino accounting | 243 | | | |
| 5 | Simulcasting | 0 | | | |
| 6 | Other | 0 | | | |
| 7 | Total-casino | 1,214 | \$ 32,238 | \$ 265 | \$ 32,503 |
| 8 | ROOMS | 281 | 5,926 | | 5,926 |
| 9 | FOOD AND BEVERAGE | 854 | 16,877 | | 16,877 |
| | OTHER OPERATED DEPARTMENTS | | | | |
| 10 | Gas Station | 7 | 95 | | 95 |
| 11 | Health Club / Pool Services | 16 | 215 | | 215 |
| 12 | Telephone room | 19 | 382 | | 382 |
| 13 | Retail stores | 24 | 508 | | 508 |
| 14 | Coat Check | 4 | 49 | | 49 |
| 15 | | | | | |
| 16 | | | | | |
| 17 | | | | | |
| 18 | | | | | |
| 19 | | | | | |
| | ADMINISTRATIVE AND GENERAL | | | | |
| 20 | Executive office | 8 | 1,244 | 732 | 1,976 |
| 21 | Accounting and auditing | 44 | 1,236 | | 1,236 |
| 22 | Security | 239 | 6,114 | | 6,114 |
| 23 | Other administrative and general department | 59 | 1,771 | | 1,771 |
| | | | | | 0 |
| 24 | MARKETING | 199 | 6,714 | 900 | 7,614 |
| | | | | | |
| 25 | GUEST ENTERTAINMENT | 17 | 1,293 | | 1,293 |
| | | | | | |
| 26 | PROPERTY OPERATION AND MAINTENANCE | 248 | 7,684 | | 7,684 |
| | | | | | |
| 27 | TOTALS - ALL DEPARTMENTS | 3,233 | \$ 82,346 | \$ 1,897 | 84,243 |

TRADING NAME OF LICENSEE: GNOC, Corp. (Atlantic City Hilton)

**ANNUAL EMPLOYMENT AND PAYROLL REPORT
SIGNATURE PAGE**

FOR THE YEAR ENDED DECEMBER 31, 2003

Under penalties provided by law, I declare that I have examined this report, and to the best of my knowledge and belief, it is true and complete.

A handwritten signature in black ink, appearing to be 'CRH', is written over a horizontal line.

Signature

March 31, 2004
Date

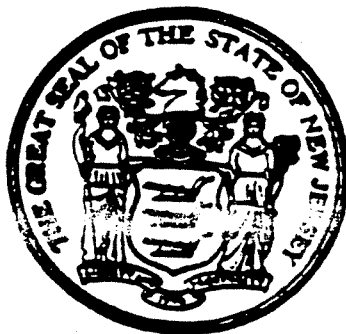
Assistant Vice President/Controller
Title

GROSS REVENUE ANNUAL TAX RETURN

LICENSEE GNOG Corporation T/A Atlantic City Hilton

FOR THE YEAR ENDED DECEMBER 31, 2003

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



TRADING NAME OF LICENSEE ATLANTIC CITY HILTON (GNOC CORP.)

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 2003
(\$ in Thousands)

Line

CASINO WIN:

| | | |
|--|--|-------------------|
| 1. | Table and Other Games Win..... | <u>\$100,604</u> |
| 2. | Slot Machines Win..... | <u>\$208,755</u> |
| 3. | Total Win..... | <u>\$309,359</u> |
| Less - Adjustment for Uncollectible Patrons' Checks: | | |
| 4. | Provision for Uncollectible Patrons' Checks | <u>\$708</u> |
| 5. | Maximum Adjustment (4% of line 3) | <u>\$12,374</u> |
| 6. | Adjustment (the lesser of line 4 or line 5) | <u>\$708</u> |
| 7. | Gross Revenue (line 3 less line 6)..... | <u>\$308,651</u> |
| 8. | Tax on Gross Revenue - Reporting Year (8% of line 7)..... | <u>\$24,692</u> |
| 9. | Audit or Other Adjustments to Tax on Gross Revenues in Prior Years | <u>\$0</u> |
| 10. | Total Taxes on Gross Revenue (the sum of lines 8 and 9)..... | <u>\$24,692</u> |
| 11. | Total Deposits Made for Tax on Reporting Year's Gross Revenue..... | <u>(\$24,692)</u> |
| Settlement of Prior Years' Tax on Gross Revenue | | |
| 12. | Resulting from Audit or Other Adjustments - (Deposits) Credits | <u>\$0</u> |
| 13. | Gross Revenue Taxes Payable (the net of lines 10, 11 and 12) | <u>\$0</u> |

Under penalties of perjury, I declare that I have examined this Gross Revenue Annual Tax Return and to the best of my knowledge and belief, the information contained in this return is accurate.

January 21, 2004
Date

 1231-11
Signature

Casino Controller
Title of Officer

CCC-381